

IRS Announces Adjustments to Retirement Plan Contributions and Benefits Limits for 2020

NOVEMBER 8, 2019

On November 6, 2019, the Internal Revenue Service (IRS) released [Notice 2019-59](#), which states the 2020 dollar limitations on benefits and contributions under qualified retirement plans. The Internal Revenue Code (the “Code”) permits employers that sponsor qualified retirement plans and employees who participate in such plans tax benefits up to the stated dollar limits. The Secretary of the Treasury may annually adjust these limits for cost-of-living increases.

The new limits set for 2020 (and the applicable limits for 2019 and 2018) are detailed in the following chart:

CODE SECTION	TYPE OF LIMIT	2020	2019	2018
415(b)(1)(A)	Defined Benefit Annual Benefit	\$230,000	\$225,000	\$220,000
415(c)(1)(A)	Defined Contribution Annual Benefit	\$57,000	\$56,000	\$55,000
402(g)(1)	401(k)/403(b) Elective Deferrals	\$19,500	\$19,000	\$18,500
457(e)(15)	457(b)(2) and 457(c)(1) Deferrals	\$19,500	\$19,000	\$18,500
414(v)(2)(B)(i)	Catch-Up Contributions	\$6,500	\$6,000	\$6,000

401(a)(17)	Annual Compensation	\$285,000	\$280,000	\$275,000
416(i)(1)(A)(i)	“Key Employee” for Top-Heavy Plan	\$185,000	\$180,000	\$175,000
414(q)(1)(B)	“Highly Compensated Employee”	\$130,000	\$125,000	\$120,000

The significant changes covered in the chart above are as follows:

- An increase in the annual benefit limit for defined benefit plans from \$225,000 to \$230,000 under Code Section 415(b)(1)(A).
- An increase in the annual additions limit for defined contribution plans from \$56,000 to \$57,000 under Code Section 415(c)(1)(A).
- An increase in the elective deferral limit from \$19,000 to \$19,500 under Code Section 402(g)(1).
- An increase in the dollar limit on catch-up contributions from \$6,000 to \$6,500—*this is the first catch-up contribution limit increase since 2014.*
- The annual compensation limit is increased from \$280,000 to \$285,000 under Code Sections 401(a)(17), 404(l), 408(k)(3)(C), and 408(k)(6)(D)(ii).
- The dollar limitation in the definition of “key employee” in a top-heavy plan is increased from \$180,000 to \$185,000 under Code Section 416(i)(1)(A)(i).
- The limitation used in the definition of “highly compensated employee” is increased from \$125,000 to \$130,000 under Code Section 414(q)(1)(B).

Separately, the Social Security Administration has announced that the Social Security taxable wage base will increase from \$132,900 for 2019 to \$137,700 for 2020.

Although many qualified plans include provisions that automatically incorporate changes to the above limits, plan sponsors should ensure that the administration of their plans captures these changes to avoid committing preventable errors.

Please contact a member of our [Employee Benefits and Executive Compensation Group](#) if you have any questions regarding the changes discussed above.

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